

Message Text

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PAGE 01 CAIRO 17347 200232Z
ACTION TRSE-00

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E.O. 11652: N/A
TAGS: EFIN
SUBJ: INCOME TAX TREATY

REF: (A) STATE 179369, (B) 77 CAIRO 14024, (C) 77 STATE
- 193787

1. E/C COUNSELOR DISCUSSED CONTENTS REFTEL A JULY 19
WITH MINFIN UNDERSEC FOR TAXATION AFFAIRS METAWI, TAXA-
TION RESEARCH DIRECTOR BAROUDI AND OTHER MINFIN TAXA-
TION DIVISION STAFF. TREASURY TAX COUNSEL ROSENBLOOM'S
UNDERSTANDING OF CHANGES IN EGYPTIAN TAX LAW APPARENTLY
IS CORRECT AND MINFIN OFFICIALS ARE ANXIOUS TO PROCEED
WITH TREATY.

2. AS EXPLAINED BY MINFIN UNDERSEC AND STAFF, GOE
INVESTMENT LAW 43 OF 1974, ARTICLE 16, DENIES TAX HOLIDAY
BENEFITS ON SCHEDULED TAXES IF PROFITS UNDER HOLIDAY ARE
SUBJECT TO TAXATION IN INVESTOR'S HOME COUNTRY OR DOTHER
COUNTRY. (NOTE: SCHEDULED TAXES, AS DEFINED IN THAT
ARTICLE, ARE LEVIED ON "COMMERCIAL AND INDUSTRIAL PROFITS
AND THE TAXES APPENDENT THERETO." FLAT RATE IS APPROX
40 PER CENT, SEE IN THIS CONNECTION REFS B AND C.)
LAW 32 OF 1977, EFFECTIVE JUNE 9, 1977, AMENDS LAW 43.
INCLUDED IN CHANGES IS REVISED ARTICLE 16 WHICH DENIES TAX
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HOLIDAY BENEFITS EXEMPTION FOR PURPOSES ONLY OF GENERAL
INCOME TAX IF HOLIDAY PERIOD INCOME IS SIMILARLY TAXED,
I.E., ON GRADUATED SCALE, IN HOME COUNTRY OR OTHER
COUNTRY TO WHICH PROFITS ARE TRANSFERRED. GENERAL
INCOME TAX APPLIES EXCLUSIVELY TO INDIVIDUALS, HOWEVER,
NOT CORPORATE ENTITIES; AMENDED LAW THEREFORE CONSTITUTES
CHANGE WHICH MEETS TREASURY CONCERN, ACCORDING MINFIN

OFFICIALS.

3. UNDERSEC METAWI IS SENDING EMBASSY WRITTEN CONFIRMATION OF ABOVE INTERPRETATION, WHICH WILL BE FORWARDED TO DEPARTMENT WHEN RECEIVED.

4. WITH RESPECT TO TREASURY REP VISIT, MINFIN OFFICIALS WELCOME OPPORTUNITY TO DISCUSS PENDING TREATY. THEY SUGGEST WEEK OF NOVEMBER 13 WOULD BE MOST CONVENIENT.
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Message Attributes

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